

October 26, 2000

CONFERENCE REPORT ON H.R. 2615, CERTIFIED DEVELOPMENT COMPANY
PROGRAM IMPROVEMENTS ACT OF 2000

Statement of HON. RON PAUL OF TEXAS

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- Mr. Speaker, H.R. 2614 contains some very laudable tax cut measures which I strongly support. However, the bill also contains some very troubling provisions, provisions which have no place in what ought to be purely tax relief legislation. As a result, this bill represents an eleventh-hour political compromise which makes politicians feel good but does more harm than good for the American people.

- Many Members, including myself, have worked hard to bring some measure of tax relief to American families this year. We worked to pass meaningful bills which would have eliminated the marriage penalty and eliminated the harmful estate tax. We worked to increase deductions for health care expenses. We worked to increase the tax-deductible amounts individuals can contribute to their IRA and pension plans. We worked for these tax cuts because we know that

American families pay too much in taxes. Tax relief has been, and should be, our guiding principle.

- Accordingly, I strongly endorse many of the provisions in this bill. I fully support the increased IRA and pension plan deduction amounts, which will benefit virtually all Americans. Tax-deductible and tax-deferred savings incentives represent the very best kind of tax reforms this Congress can make. Not only do Americans pay less in taxes with an increased deduction, they also have an increased incentive to accumulate retirement savings.

- Another worthwhile portion of this bill addresses the needs of rural hospitals, which were unfairly singled out for excessive reductions in Medicare reimbursements by the Balanced Budget Act of 1997. While Congress deserves a share of the blame, most of the problems experienced by rural health care providers are the result of flawed implementation of the Act by the Health Care Financing Administration (HCFA). This administration has decimated rural health care in order to artificially prolong the life of the Medicare trust fund, while avoiding reforms that would give seniors more control over their health care decisions. The administration should not play political games with Medicare trust funds at the expense of rural hospitals. By doing so, it has violated the promise of quality health care made to senior taxpayers in rural areas.

- Mr. Speaker, I also am pleased that this bill extends the Medical Savings Accounts (MSA) program created in 1996. MSAs and generous health care tax deductions are critical to preserving health care freedom. Federal policies removing consumer control over health care dollars inevitably have led to increased decision making by HMOs and federal bureaucrats.

- We must restore individual control over health care dollars, and MSAs coupled with health

care tax credits and deductions are an important step in the right direction. MSAs and health care tax deductions lower health care costs without sacrificing quality by motivating patients to negotiate for the highest quality care at a reasonable price.

- Similarly, today's small business tax relief measures are commendable. We place a huge regulatory and tax burden on our nation's small employers, many of which find it difficult simply to comply with the tax laws. I support any efforts to reduce taxes and regulations on our small entrepreneurial employers.

- Unfortunately, these positive tax relief provisions are outweighed by other measures in today's mixed bag legislation, measures which have been agreed to only because many Members want to claim they have passed a 'tax relief' bill before they go home. The administration has thwarted many of our tax relief efforts through the veto process, and we apparently have decided to take whatever tax measures we can get, regardless of the price. So now we find ourselves in a position where we cobble together some less sweeping tax relief proposals which the administration will accept, and we put them in a larger bill which contains some very bad measures favored by the administration. Before we tout today's bill, however, we ought to be honest with our constituents about the real nature of this last-minute compromise.

- The small business tax relief in this bill is more than outweighed by the provisions raising the federally-mandated minimum wage. While I certainly understand the motivation to help lower wage workers, the reality is that a minimum wage hike hurts lower income Americans the most. When an employer cannot afford to pay a higher wage, the employer has no choice but to hire less workers. As a result, young people with fewer skills and less experience find it harder to obtain an entry-level job. Raising the minimum wage actually reduces opportunities and living standards for the very people the administration claims will benefit from this legislation! It's time to stop fooling ourselves about the basic laws of economics, and realize that Congress cannot legislate a higher standard of living. Congress should not allow itself to believe that the package of small business tax cuts will fully compensate businesses and their employees for the damage inflicted by a minimum wage hike. Congress is not omnipotent; we cannot pretend to strike a perfect balance between tax cuts and wage mandates so that no American businesses or

workers are harmed. It may make my colleagues feel good to raise the minimum wage, but the real life consequences of this bill will be felt by those who can least afford diminished job opportunities.

- We also make a mistake when we rush to change our domestic tax laws to comply with the ruling of an international body. Nobody in Congress or the administration wants to talk about it, but this is the first time in the history of our nation that we have changed our laws because an international body told us to do so. We are not considering this legislation because American citizens or corporations lobbied for it. We are considering it solely because of the demands of the WTO appellate panel, which agreed with EU complaints about our corporate income tax laws. We created the Foreign Sales Corporation rules back in the 1980s, but now the EU has decided our exempting a small portion of foreign source income from corporate taxes represents a 'subsidy.' We have plenty of federal subsidies in this country, but the FSC tax treatment assuredly is not one of them. FSCs do not receive a subsidy--no tax dollars are collected from taxpayers and given to FSCs. The FSC rules simply permit the parent corporation to pay less taxes on its foreign income. Most EU countries don't tax their corporations on foreign income at all! So the EU complaint that the FSC represents a subsidy is ridiculous.

- This measure clearly demonstrates how our membership in the WTO undermines our national sovereignty. I have warned this body that the WTO does not promote true free trade, but rather enforces politically influenced 'managed trade.' I warned this body that our agreement to abide by WTO rulings would force us to change our domestic laws. I warned this body that our participation in the WTO was unconstitutional. Yet Members scoffed at this idea. Members of the Ways and Means committee said it was 'unthinkable' that the U.S. Congress would change our nation's laws because of an order by the WTO. We were told that we had to join or else we would lose the international 'trade wars.' Today we see our sovereignty clearly undermined, and at the same time we stand on the brink of a retaliatory trade war by the EU. So the WTO has given us the worst of all worlds.

- We should not change our tax laws at the behest of any body other than the U.S.

Congress. If we want to help American businesses, we should simply stop taxing foreign source income. Today's FSC measure will not appease the EU; they already have indicated that the House version of this bill is unsatisfactory to them. Worst of all, this measure gives the President further unconstitutional executive order powers to make changes when demanded by the WTO in the future. Never mind that the legislative power is supposed to reside solely with Congress. We simply cede our legislative authority to the WTO when we pass this measure, and it's shameful that it likely will go unnoticed by the American people. We ought to tell them exactly what we are doing to national sovereignty when we pass this last-minute mixed bag of tax measures.

- Mr. Speaker, I would like to commend the leadership for bringing this conference report to the floor. This conference report includes many important provisions to spur individual retirement savings.

- Most importantly, the report includes language that increases the IRA contribution limit, a proposal I have worked on for several years. The popularity of this issue is evidenced by the more than 222 bipartisan members who cosponsored my IRA legislation.

- For years, millions of Americans have relied on Individual Retirement Accounts to help save for a secure retirement. However, despite their past success, IRAs are in danger of becoming obsolete because inflation is destroying much of their value. Since 1981 the limit on IRAs has been frozen. Had it simply kept pace with inflation, Americans would now be able to contribute \$5,068 instead of only \$2,000.

- If IRAs are to continue to be a real help for people as they plan for their retirement years, it is past time for the federal government to allow higher contributions.

